Singapore Office and Retail Market Overview

BY CBRE PTE. LTD.

1 THE SINGAPORE ECONOMY

The Singapore economy expanded 2.9% in 2014, surpassing the government's initial estimate of 1.5%, but lower than the 4.4% achieved in 2013. Economic growth in 2014 was largely supported by the finance & insurance, infocomm, as well as business services sector.

Service producing industries grew 3.2% in 2014, easing from 6.1% in 2013 as the government pursued a more sustainable economy, with some sacrifice in growth. Growth in the services sector was supported mainly by the finance and insurance as well as business services sectors, which recorded growth rates of 7.7% and 2.9% respectively.

Headline inflation was reported at 1.0% for the whole of 2014. It has been falling on the back of declining oil prices. Inflation is forecasted to range between 0.5% and 1.5% for the whole of 2015, and normalise at 2.8% in the medium term when oil prices recover.

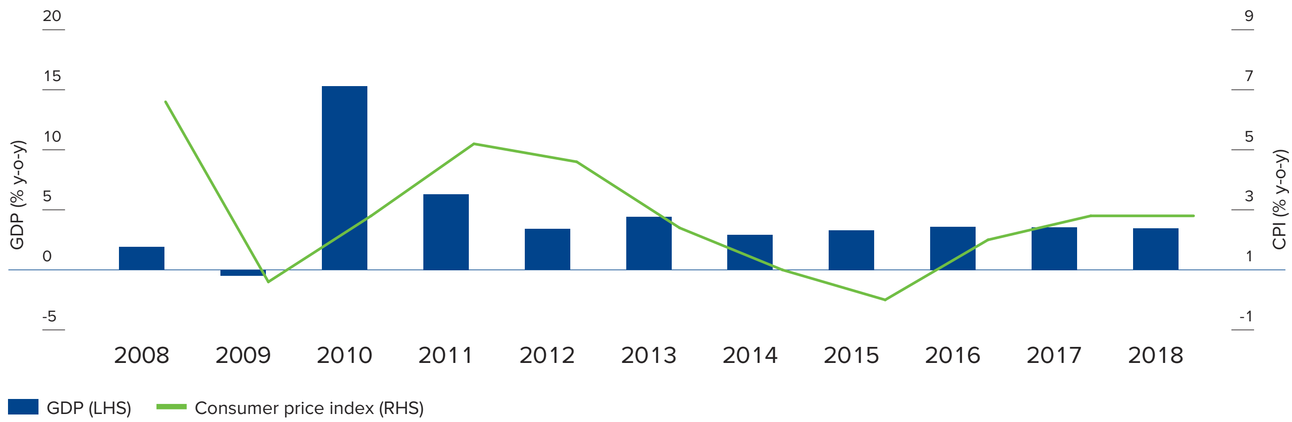
Over the long term, Singapore will face structural challenges as a result of an ageing population and low population birth rates. This will affect Singapore's competitiveness. The loss of competitiveness compounded with the stronger Singapore dollar and relatively high labour cost is likely to inhibit future economic growth. As a result, the government has embarked on an ambitious restructuring exercise to retool the economy and improve overall productivity. However, the government's effort to improve productivity has resulted in a tight labour market and increased business costs.

The recent Budget announcement for 2015/16 is expected to lessen some of the burden of the on-going restructuring exercise by extending the wage credit scheme and deferring any further increase in foreign worker levies. However, lingering concerns such as the on-going correction in the housing market and the tight labour market will continue to weigh on growth.

As a result, the Ministry of Trade & Industry (MTI) has forecasted a relatively muted GDP growth of between 2.0% and 4.0% in 2015, barring any economic shocks. Oxford Economics forecasted Singapore's GDP to grow by an average of 3.5% per annum from 2016 to 2018.

GDP Growth and Inflation

(%, y-o-y change)



Source: MTI, CBRE, Oxford Economics

2 THE OFFICE MARKET

2.1 Existing Office Supply

As at Q1 2015, the total office stock in Singapore was 55.80 million sf. The CBD Core sub-market consisting of Raffles Place, Shenton Way, Marina Centre and Marina Bay accounted for the majority of the island-wide office stock at 50.1%. Most office occupiers in the CBD are in the financial services, information technology, and other business services sector. The Fringe CBD consists of Tanjong Pagar, Beach Road/City Hall as well as Orchard Road, accounting for 26.4% of the overall stock. In the decentralised sub-markets, Alexandra/HarbourFront, Thomson/Novena, Tampines and River Valley accounted for 23.5% of the overall market.

According to CBRE Research, some of the notable major office developments completed in 2014 include CapitaGreen (702,000 sf), Paya Lebar Square (430,000 sf) and Westgate Tower (306,400 sf). South Beach Tower (527,400 sf) was the latest major office development completed in Q1 2015 with reported strong pre-commitment levels for the office component.

In terms of net new office supply[1], the 5-year average was 1.68 million sf (2010 – 2014 inclusive). In comparison, 2014's net supply of 1.33 million sf was below the 5-year long term average, which has supported demand for office in 2014.

Tanjong Pagar and Alexandra/HarbourFront Micro-markets

The Tanjong Pagar[2] micro-market has 4.68 million sf of office stock, while the Alexandra/HarbourFront[3] micro-market has 3.36 million sf of office stock. This makes up 8.4% and 6.1% of the overall market respectively. The Alexandra/HarbourFront micro-market has seen an improvement in the age and quality of offices with the introduction of Mapletree Business City and Bank of America Merrill Lynch HarbourFront, while the Tanjong Pagar micro-market is generally characterised by a range of assets across a wide range of qualities. Both Tanjong Pagar and Alexandra/HarbourFront micro-markets remain tight with no recent completions. In Tanjong Pagar, the last office developments were Twenty Anson in Q4 2009 and Mapletree Anson in Q3 2009. The last completion in the Alexandra/HarbourFront micro-market was the office component of Mapletree Business City in Q2 2010.

Future Office Supply

The potential supply over the next four years (Q2 2015 – Q4 2018 inclusive) is approximately 6.66 million sf, with 20% of the future supply (1.35 million sf) sold on a strata-titled basis. The majority of the future supply (52.8%) is located in the Core CBD sub-market while the remaining 31.1% and 16.2% will be located in the Fringe CBD and Decentralised sub-markets respectively. Stripping out the office stock sold on a strata-titled basis, the annual supply is close to 1.66 million sf, which is close to the 5 years average of 1.68 million sf (2010 – 2014 inclusive).

Although there is approximately 780,000 sf of office space due in 2015, a number of the new developments are sold on a strata-titled basis. Hence, the market is expected to remain tight in 2015. The next wave of major new supply is expected to be completed in 2016.

In 2016, there will be a sizable amount of office supply coming on stream, with 3.63 mil sf expected to be completed by end 2016. The new supply will include Marina One (1.88 million sf), Guoco Tower (850,000 sf), Duo (570,000 sf) and 5 Shenton Way (280,000 sf).

In 2017, four office developments are expected to be completed, totalling 930,000 sf of office space. However, only the redevelopment of the Robinson Towers site 220,000 sf is not for strata-titled sales and held for lease as an investment property. Vision Exchange (500,000 sf), Oxley Tower (110,000 sf) and Arc 380 (100,000 sf) will be sold on a strata-titled basis. Frasers Tower (650,000 sf) is scheduled to be completed by end-2018.

Approximately 986,000 sf of secondary space can be expected to be released by tenants between Q1 2015 and end-2016. Planned relocations and the on-going contraction in the financial sector have resulted in excess office space being released by the financial sector. However, given the current low vacancy rates, the influx of secondary space is not expected to be destabilising to the overall office market in the short term.

1 Net new supply is calculated as a sum of new completions, demolitions and conversions.
For confidentiality reasons CBRE cannot provide the full list of buildings in the particular baskets but to name a few key projects.

2 The Tanjong Pagar basket of properties consists of 23 buildings that total 4.68 million sf. The key projects are 79 Anson Road, Keppel Towers, AXA Tower, Mapletree Anson and Twenty Anson among others.

3 The Alexandra/HarbourFront basket of properties consists of 12 buildings that total 3.36 million sf. The key projects are HarbourFront Tower 1 and 2, Keppel Bay Tower, HarbourFront Centre and PSA Building among others.

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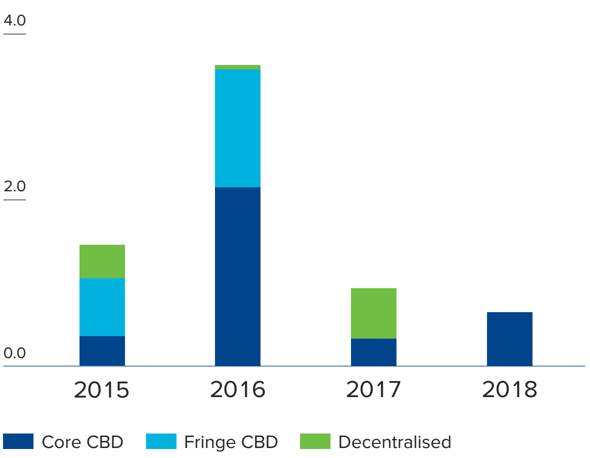
Tanjong Pagar and Alexandra/HarbourFront Micro-markets

In the Tanjong Pagar micro-market, Guoco Tower is scheduled for completion in 2016, adding an approximate 850,000 sf of quality office space to the micro-market. The refurbishment of the former NOL building will add approximately 200,000 sf of office space to the Alexandra/HarbourFront micro-market in Q3 2015.

Future Office Supply



Source: CBRE Research

2.2 Demand and Occupancy

Q1 2015 saw the completion of South Beach Tower (527,400 sf) with an impressive pre-commitment level of close to 90%. This helped to contribute to the positive island-wide office net absorption of 0.12 million sf for the quarter.

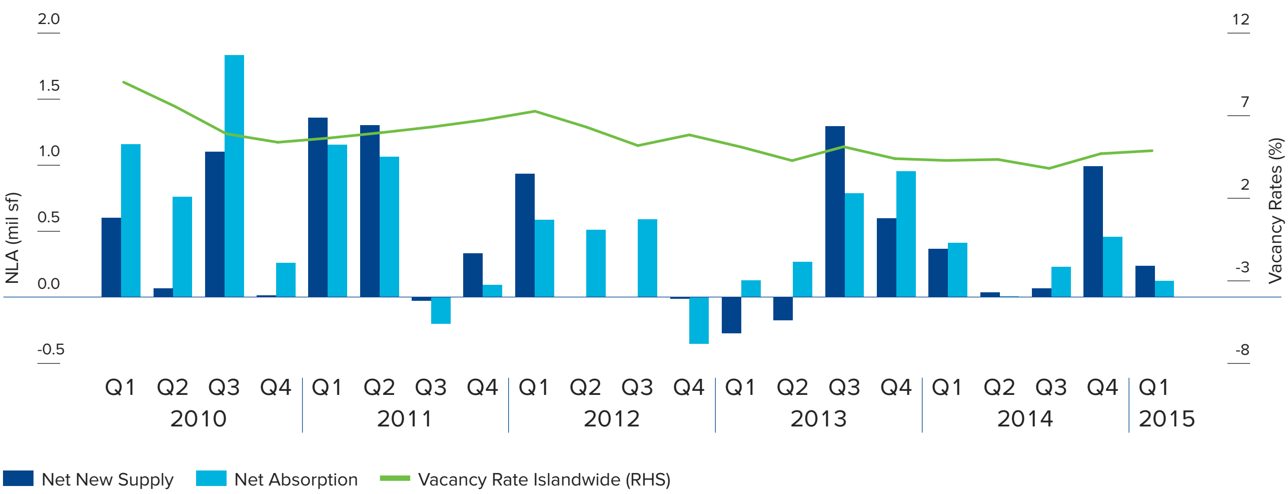
The total island-wide office net absorption for 2014 was down 48.3% y-o-y at 1.10 mil sf. It was also 26.7% lower than the 10-year market average absorption level of 1.50 mil sf (2005 – 2014 inclusive).

Leasing activity in Q1 2015 appeared to be primarily driven by cannibalisation, decentralisation, and flight to quality. Leasing demand continues to be driven by a diverse range of sectors from IT & e-commerce to insurance and energy.

However, there are concerns surrounding the true underlying strength of office demand as island-wide office vacancy rates edged marginally upwards by 20 basis points to 4.9%. In general, the absence of growth in financial institutions will contribute to principal headwind for office demand in the core CBD market.

Some of the notable leasing activities at CapitaGreen include 75,000 sf by Lloyd's Asia, 44,000 sf by Schroder, and other tenants such as Twitter, Apple and ACE Insurance. Over at South Beach Tower, Lukoil has reportedly taken up 20,000 sf.

Island-wide Office: Net Supply, Net Absorption & Vacancy Rates



Source: CBRE Research

Tanjong Pagar and Alexandra/HarbourFront Micro-markets

Tanjong Pagar is in the midst of undergoing urban rejuvenation and transformation. This area has been a popular location for a diversified group of businesses. New developments are set to spur the area with the completion of Tanjong Pagar Centre.

The Tanjong Pagar Railway Station is expected to be transformed into a new recreational and commercial development with the historic building being conserved as the centrepiece. The port in Tanjong Pagar will also relocate to Tuas after its lease expiration in 2027, freeing up prime waterfront land for future developments known as the “Southern Waterfront City” on the 1,000 ha land. The Southern Waterfront City is expected to complement the existing Marina Bay. In terms of infrastructure, a new four km long MRT line called Circle Line Stage 6 (CCL6) is due to be completed in 2025 while the new S$4.3 billion Marina Coastal Expressway (MCE) provides direct access to the Marina Downtown.

Alexandra/HarbourFront is a well located, attractive micro-market in the fringe area with excellent amenities that has traditionally outperformed other micro-markets during periods of downturn. This micro-market offers affordable quality office space that is located close to the CBD.

2.3 Office Vacancy Rates

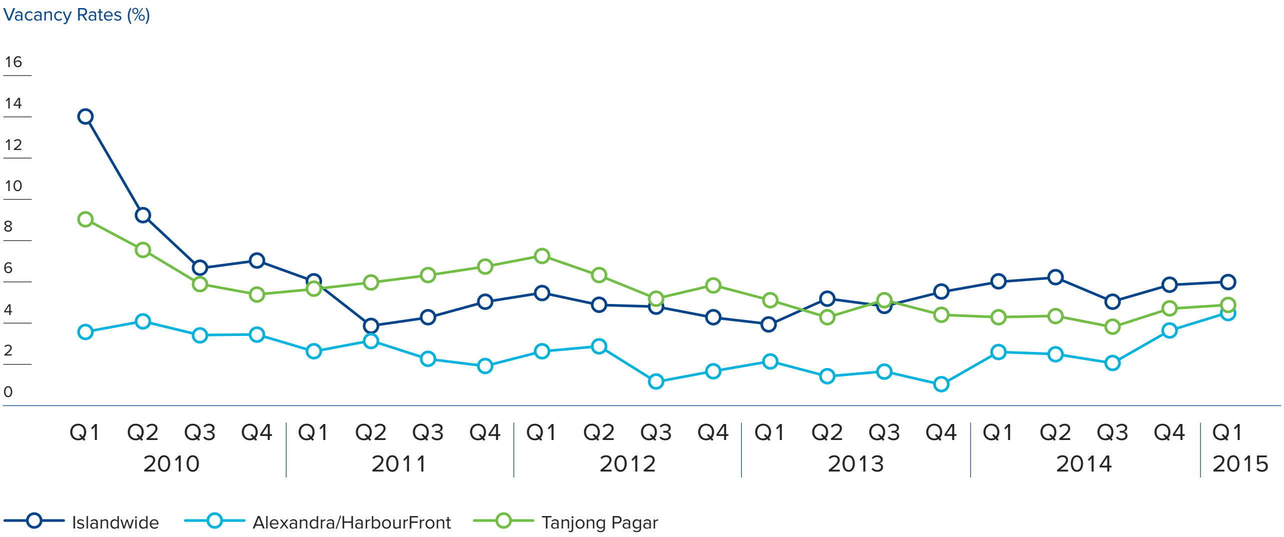
Due to the tight office market in Q1 2015, the overall island-wide office vacancy rates remained relatively low at 4.9%. While vacancy rates are expected to remain low throughout 2015 due to a lack of new supply, overall vacancy rates are forecasted to increase gradually in 2016 due to a new wave of quality office supply.

The vacancy rates in the Tanjong Pagar micro-market held firm at 6.0% in Q1 2015. This was close to the 5-year average vacancy of 5.9%. Given the limited supply in recent years, the vacancy rates have remained relatively low, hovering in the region of 3.8% to 6.2% since the start of 2011.

Vacancy rates in this micro-market are expected to remain low in 2015 given the lack of significant new supply. In 2016, vacancy rates in the Tanjong Pagar micro-market will largely depend on the performance of Guoco Tower, given the relative size of Guoco Tower to the overall Tanjong Pagar market.

The vacancy for Alexandra/HarbourFront micro-market has historically been lower than the other sub-markets. Over the last 5 years, the micro-market vacancy rates had never risen above the 5.0% mark. However, competition from new decentralised offices in Buona Vista and recently completed business parks such as Nexus@one-north and Eightrium have resulted in an 85 basis points increase in Q1 2015 vacancy rates to 4.5%. Nonetheless, the absence of future supply in the Alexandra/HarbourFront micro-market will limit further increases in the vacancy rates in the short to medium term.

Office Vacancy Rates



Source: CBRE Research

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2.4 Office Rents

The Singapore office sector has performed well in 2014, as rents advanced off low vacancy rates. Grade A rents have increased for six consecutive quarters, and grew 11.2% y-o-y (1.8% q-o-q) to S$11.40 psf in Q1 2015. However, rents were largely driven by tight market conditions instead of true underlying strength of office demand. Grade A rents have surged 16.9% since the trough in Q3 2013. However, the easing of rental growth in Q1 2015 indicates the possibility that rents may have peaked. This was due to the low level of underlying demand for office space, as well as expectation of significant new quality supply in H2 2016.

Grade B island-wide office rents also surged 11.0% from the trough in Q3 2013 as it advanced in tandem with Grade A rents. Grade B rents increased 6.8% y-o-y to reach a record level of S$8.05 psf in Q1 2015.

The flight to quality trend will contribute to demand for Grade A office space and support rents for good quality office buildings even in decentralised locations. While Grade A rental growth may have run its course, it is expected to remain fairly flat for good quality office buildings. Landlords are expected to focus on tenant retention for the rest of 2015 given the spectre of future competition from new developments in 2016.

Grade B rents are expected to remain stable in 2015 due to a lack of new supply. However, it is likely to come under pressure in 2016 as the Grade B market is expected to be cannibalised by a new wave of quality Grade A supply and good quality high specs office space in decentralised locations.

	Q1 2015 (Psf/Mth)	Y-o-Y	Q-o-Q
Grade A	S$11.40	11.20%	1.80%
Grade B Island-wide	S$8.05	6.80%	0.60%

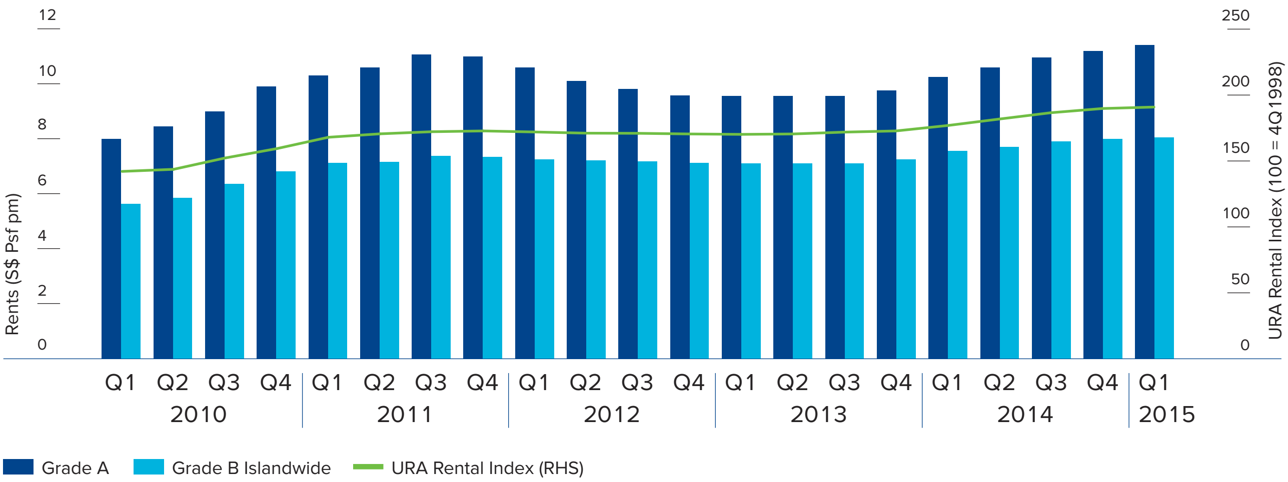
Source: CBRE Research

Rents in Tanjong Pagar were supported by low vacancy rates and achieved 3.7% y-o-y growth in Q1 2015. While the Tanjong Pagar micro-market moved in tandem with the island-wide office rental cycle over the past 5 years, it experienced lower volatility due to a higher concentration of non-banking and financial services tenants.

The existence of a two-tier office market in Tanjong Pagar was evident with newer developments built since 2008 registering higher rents compared to older developments in the area, indicating a substantial difference in the build quality and building specifications between the new and old stock in the micro-market. Overall rents for the newer developments grew by 1.2% y-o-y in Q1 2015.

Average office rents in the Alexandra/HarbourFront micro-market achieved a gain of 4.3% y-o-y in Q1 2015. Rents in the Alexandra/HarbourFront micro-market are expected to remain stable in 2015, supported by low vacancy rates and relatively strong demand.

Office Rents
(in S$ psf/month)



Source: CBRE Research, URA

2.5 Office Investment Market and Capital Values

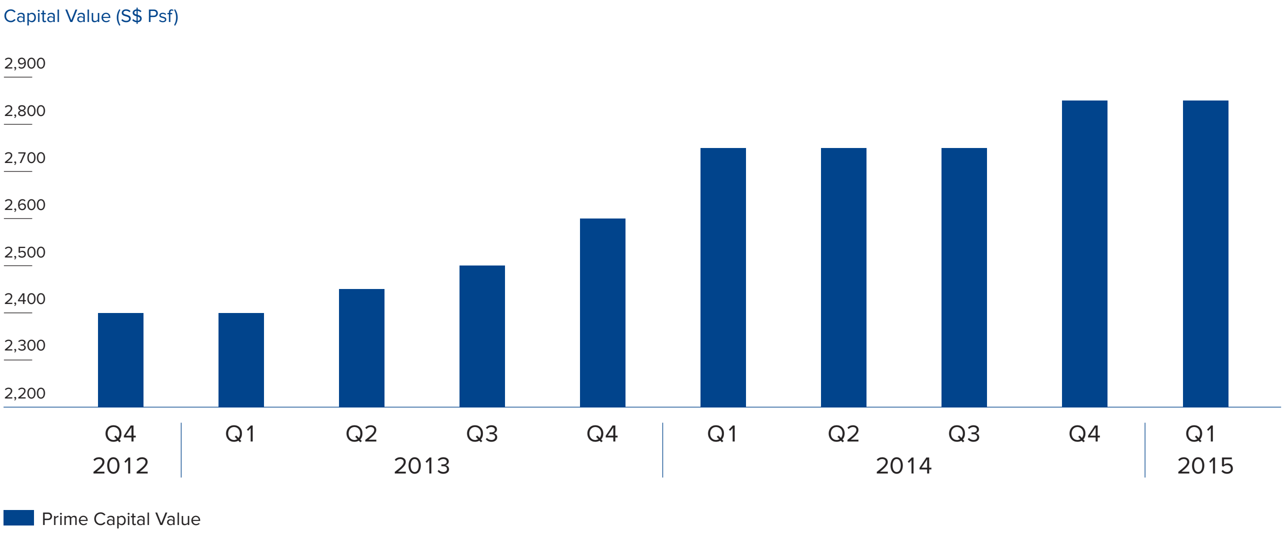
The top five enbloc office transactions in 2014 comprised of Straits Trading (S$450.0 million), Prudential Tower (S$512.0 million), Equity Plaza (S$550.0 million), Westgate Tower (S$579.4 million) and one-third stake in Marina Bay Financial Centre Tower 3 (S$1.2 billion). Most of these transactions were opportunistic in lieu of positive reversionary rent. Investors in Prudential Tower and Equity Plaza were capitalising on the arbitrage opportunity between the enbloc and strata office market.

The biggest deal in Q1 2015 was the acquisition of AXA Tower by a consortium of investors led by Perennial Real Estate S$1.17 billion or S$1,735 psf NLA.

Grade A office capital values registered a 3.6% y-o-y growth to S$2,850 psf in Q1 2015 but remained flat vis-à-vis the previous quarter. Yields increased to 3.83% from 3.51% a year ago on the back of increasing rents.

For 2015, the investment market is likely to remain relatively quiet due to a lack of properties available for sale. However, CBRE Research expects continued healthy demand for reasonably priced good quality office buildings as investors still believe in the long term fundamentals of the Singapore market.

Prime Office Capital Values



Source: CBRE Research

2.6 Office Outlook

The Singapore economic outlook in 2015 is expected to be blighted by a modest global economy compounded by low oil prices, prospect of higher interest rates, as well as domestic restructuring challenges. This will affect business confidence as well as their expansion plans.

Office rents are expected to remain flat in 2015 due to tepid market conditions and limited new supply. Leasing activities are expected to be supported by e-commerce, insurance, energy and business services sector. While the bulk of leasing activity is expected to be concentrated within the CBD Core sub-market, the "flight to quality" phenomenon will also see demand for good quality office buildings located in decentralised locations.

Vacancy levels are expected to remain low in 2015 due to tight supply conditions. However, it will ease in H2 2016 as the next wave of quality office space enters the market. Grade A rents are expected to remain unchanged at S$11.40 for the rest of 2015 before declining by 10% to S$10.30 psf in 2016. Similarly, Grade B rents are forecasted to remain stable in 2015, but are expected to come under significant pressure in 2016 due to cannibalisation by a new wave of Grade A offices. Tenant retention in the form of better incentives and competitive rents will be the key strategy for most landlords in 2015.

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3 THE RETAIL MARKET

3.1 Existing Retail Supply

Singapore island-wide private retail stock increased 4.9% y-o-y to 47.20 million sf in Q1 2015. The Fringe Area accounts for the bulk of the market share at 26.7%, followed by Outside Central Area at 23.4%, Rest of Central Area at 19.5%, Orchard Area at 16.3% and Downtown Core Area at 14.1%.

Notable new launches in 2014 include Orchard Gateway (166,400 sf), Kallang Wave (441,500 sf), One KM (215,000 sf), Seletar Mall (188,000 sf), Paya Lebar Square (95,000 sf), Big Box (329,000 sf) and the refurbishment/asset enhancement initiatives (AEI) of existing malls including Shaw Centre (116,000 sf), East Point (214,000 sf), Alexandra Central (63,000 sf) and the retail portion of One Raffles Place (98,500 sf).

New retail developments in Q1 2015 include Capitol Piazza (156,100 sf), 321 Clementi (81,400 sf), Suntec City AEI (125,000 sf), Tampines Mall AEI (30,000 sf) and Claymore Connect (50,200 sf).

The market has seen a geographical expansion outside the prime Orchard Road belt in recent years after witnessing a wave of new retail completions within the Orchard Area in 2009 such as ION Orchard, 313@Somerset and Orchard Central. Nonetheless, retail supply in Orchard is limited, with most new supply coming from AEI works on existing developments as landlords attempt to remain competitive and keep up with new trends.

HarbourFront/Alexandra Micro-market

VivoCity, HarbourFront Centre, Alexandra Retail Centre, the retail portion of Mapletree Business City, Resorts World Sentosa, and Alexandra Central are the key retail developments in the HarbourFront/Alexandra area.

VivoCity is the only full-fledged retail mall in the HarbourFront/Alexandra micro-market, complemented by HarbourFront Centre, a mixed-use development comprising office and retail space, food & beverage outlets, and an international cruise centre.

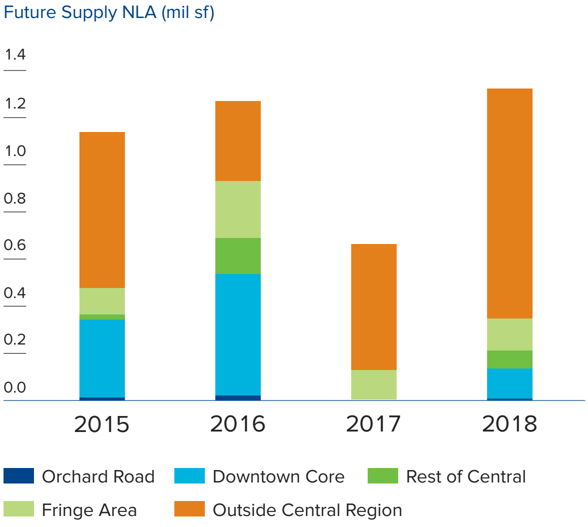
The retail developments at Mapletree Business City and Alexandra Retail Centre serve as amenities centres to the office and business park working population, as well as the residential population in the vicinity.

The retail space in Resorts World Sentosa is predominantly taken up by food & beverage outlets, while Alexandra Central consists of mostly small strata subdivided retail units between 100 sf and 800 sf, as well as a number of food & beverage outlets between 258 sf and 1,250 sf. It was mostly sold to retail property investors.

Future Retail Supply

According to data tracked by CBRE, the total projected island-wide retail supply for the next four years (Q2 2015 to Q4 2018 inclusive) is estimated to increase by approximately 4.20 million sf. The majority of the potential supply will be located Outside Central Region (57.4%).

Future Retail Supply



Source: URA, CBRE Research

Notable retail developments in the Downtown Core Area in 2015 include South Beach Avenue (85,000 sf), Eon Shenton (5,200 sf), National Art Gallery (40,000 sf) and Marina Square's new retail extension wing (200,000 sf). Upcoming suburban retail spaces to note include Waterway Point (370,000 sf) and The Promenade @ Pelikat (71,300 sf), both of which are within the Outside Central Region. The Commerze @ Irving will add 36,000 sf of new retail space to the Fringe Area sub-market in 2015.

New retail developments will mostly be concentrated in the Downtown Core Area in 2016, with Tanjong Pagar Centre (100,000 sf), Marina One (140,000 sf), Downtown Gallery (160,000 sf) and Duo Galleria (54,000 sf) contributing a total of 454,000 sf of new retail space. Retail projects outside the Downtown Core sub-market include Hillion Mall (165,400 sf), Tampines Town Hub (112,400 sf) and Singapore Post Centre's Asset Enhancement Initiatives ("AEI") (201,800 sf).

In 2017, major new retail developments will be concentrated in the Outside Central Region and the Fringe Area. Building completions include additions to the retail space at Downtown East (102,900 sf), NeWest (68,900 sf), Junction 9 (59,400 sf) and a shopping development for Changi Airport Terminal 4 (164,300 sf).

In 2018, we will see the completion of several large developments such as Project Jewel (576,000 sf) and Northpoint City (315,600 sf). Other potential projects taking place this year include MacPherson Mall (45,800 sf), City Gate (76,300 sf), and Vision Exchange (52,100 sf)

HarbourFront/Alexandra Micro-market

Future retail supply in the HarbourFront/Alexandra micro-market includes VivoCity AEI, the former NOL Building, and Icon @ Pasir Panjang. In 2015, the Asset Enhancement Initiative (AEI) of VivoCity will create around 15,000 sf of new retail space at the basement of the mall, while the former NOL Building is expected to add approximately 8,880 sf of retail space in the micro-market. In 2016, Icon @ Pasir Panjang is expected to introduce about 21,000 sf of retail space in the micro-market.

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3.2 Demand and Occupancy

The island-wide retail net absorption for Q1 2015 was -269,098 sf. On a calendar year-basis, 2014's annual island-wide net absorption of 1.19 million sf declined -11.9% from 1.36 million sf in 2013. This reflects excess market supply and a lower take up rate fuelled by weakening retail demand.

2014 proved to be a challenging year for the retail sector, as retailers struggle to manage costs and manpower issues.

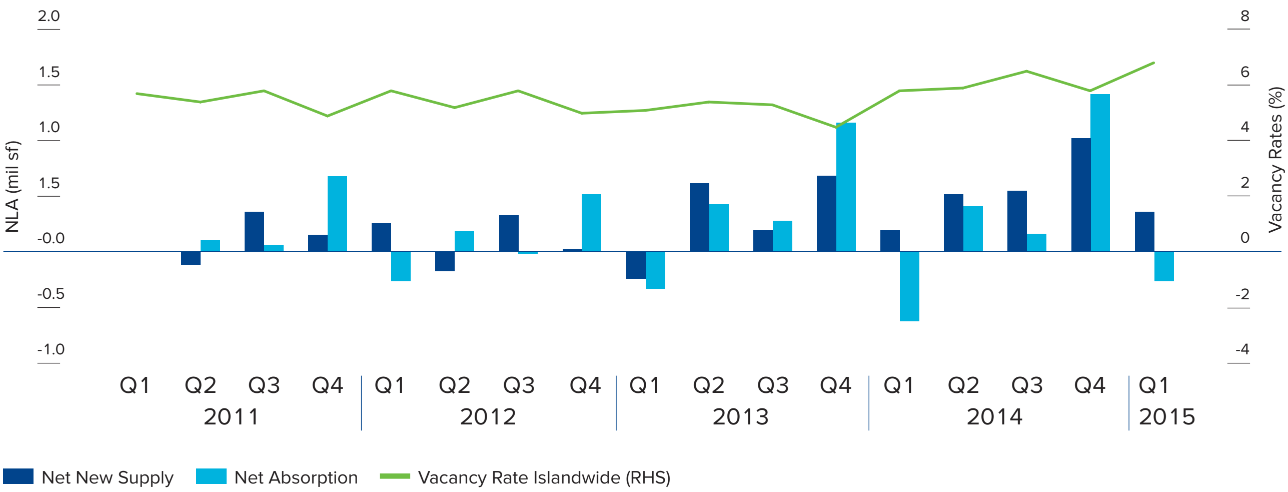
Several fashion brands have pulled out of the market, including Lowry's Farm and Global Work, which were in the market for two and three years respectively. Four major department stores will also close by year-end, one of which has shortened its operating hours to manage manpower costs.

Demand (1.36 million sf) lagged net new supply (2.33 million sf) in 2014, raising potential oversupply concerns.

Island-wide vacancy rates reflected a similar trend, with Q1 2015 retail vacancy rates increasing 1.0% y-o-y to 6.8%. Island-wide vacancy rates have been on a general uptrend for the past five quarters.

However, concerns of an oversupply in the market are mitigated as some of the new supply is located in non-traditional retail spaces that are not supported by a strong catchment of labour and shoppers. Therefore, well managed retail malls in good locations will continue to enjoy healthy demand despite the general weakness in the overall retail market.

Island-wide Retail: Net Supply, Net Absorption & Vacancy Rates



Source: URA/ CBRE Research

* From the 1st quarter of 2014, URA introduced a new retail series which includes F&B, entertainment, and health & fitness space. This results in a difference in total stock, net new supply, vacancy, net absorption, price index and rental index numbers from the existing series. The new retail series starts from Year 2011 onwards.

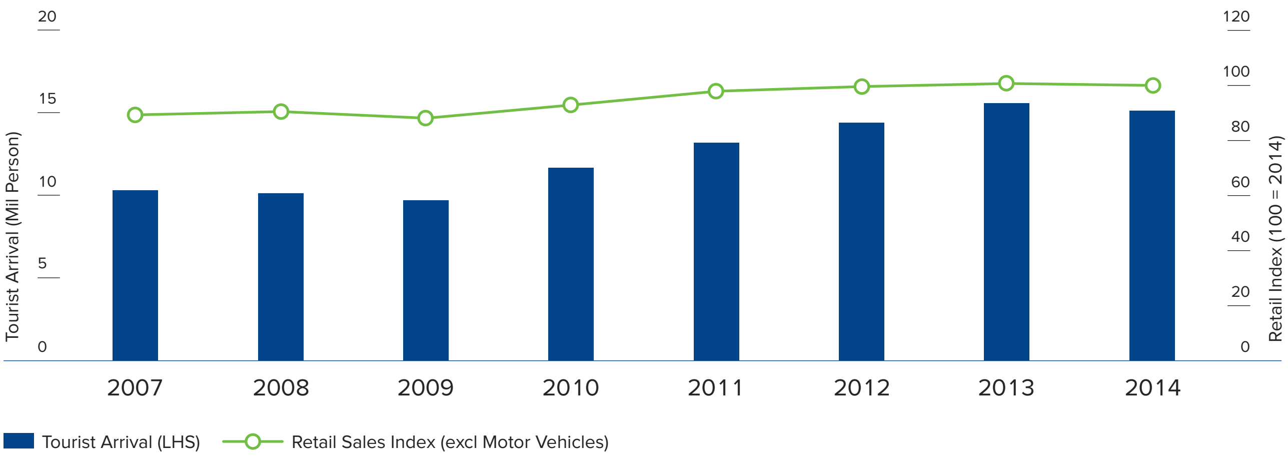
According to the Singapore Tourism Board (STB), tourist arrivals dipped 3.1% y-o-y from 15.6 million in 2013 to 15.1 million in 2014. This marks the first time visitor arrivals have fallen since the financial crisis in 2009. Tourist arrivals continue to decline in the first two months of 2015, falling by 5.5% y-o-y to 2.4 million. STB attributes the drop in numbers to the implementation of China's Tourism Law and recent aviation incidents in the region.

Despite the dip in visitor arrivals, STB estimates tourism receipts to have held steady at S$23.5 billion in 2014, indicating higher tourism expenditure in Sightseeing, Entertainment & Gaming (SEG).

In order to stem the declining tourist numbers, the government has planned a series of measures to boost tourism numbers after a relatively lacklustre year in 2014. A S$20 million global marketing campaign will be launched to boost international interest in the nation's Golden Jubilee celebrations. STB has also partnered with Changi Airport Group to launch a S$35 million joint marketing initiative to grow visitor arrivals to Singapore and increase passenger movement at Changi Airport over the next two years.

STB expects tourist arrivals to grow between 0% and 3% in 2015, and 0% to 2% for tourism receipts. STB's marketing campaign is targeted at key markets such as Indonesia, China and India. Several promotional incentives such as attractive flight and hotel deals are expected to boost tourism growth. STB is projecting a growth of 3% to 4% in visitor arrivals over the next five to ten years horizon.

Visitor Arrivals & Retail Sales Index
(excl Motor Vehicles)



Source: Singapore Tourism Board, Department of Statistics

* The re-basing of the Retail Sales Index and Food & Beverage Services Index series from year 2010 to 2014 was announced in March 2015.

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3.3 Retail Rents

The rental market was relatively muted in Q1 2015, with Prime Orchard Road rents registering a slight dip of -0.4% y-o-y to S$34.05 psf. The lacklustre rental market for Orchard Road reflects weak demand as a result of lower tourist arrivals for 2014, raising concerns for retailers in Orchard Road.

The Suburban sub-market proved to be more resilient, with rents remaining flat at S$30.30 psf despite the challenging retail climate.

Rents in the Orchard Road sub-market last peaked in 2008. It has since moderated following the sub-prime crisis, and only started to recover in H2 2011. Suburban retail rents remained largely flat and experienced relatively lower volatility as it was supported by the domestic retail market. In contrast, Orchard Road rents are more sensitive to changes in the tourism market.

Retail Rents

Source: URA/ CBRE Research

3.4 Retail Outlook

CBRE Research expects rents to decline through 2015 to H1 2016 for most sub-markets, as landlords focus on tenant retention in the retail market. The fall in tourist arrivals is likely to have an adverse impact on the Prime Orchard Road sub-market due to its greater reliance on the tourism sector. In addition, Orchard Road is facing increasing competition for the tourism market from newer integrated developments in Marina Bay and Sentosa.

As a result of the lacklustre retail market, STB intervened and undertook a series of marketing efforts to improve tourist arrivals in the medium term so as to support growth in tourism receipts.

Vacancy rates are expected to rise as tenants consolidate and terminate their existing lease contracts prematurely to manage cost and labour issues. Retailers are also holding back their expansion plans to cope with the on-going labour crunch. There are potential oversupply concerns on the back of a new wave of supply in 2015 and 2016.

Traditional brick and mortar retailers such as MUJI, Watsons and Isetan are also exploring digital strategies by launching online platforms to remain competitive and ride on the trend of online consumerism. While most traditional retailers still retain their physical presence when they expand online, they are likely to slow down their expansion in the physical space as they divert resources to expand online.

Rising vacancy rates coupled with a challenging retail climate have given rise to a tenant's market in the retail sector. Landlords are more open to negotiation and have increasingly focused their asset management strategy on tenant retention. There is more resistance towards increasing base rents and landlords are less bullish about future positive rental reversions.

With the twin effects of growing vacancy rates and challenging retail sales weighing on the overall retail market, retail rents are likely to be under pressure for most sub-markets over the medium term.

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